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14 UNITED STATES DISTRICT COURT
15 NORTHERN DISTRICT OF CALIFORNIA

16 MIGUEL A. CRUZ, and JOHN D. HANSEN,
17 individually and on behalf of all others
similarly situated,

18 Plaintiffs,

19 v.

20 DOLLAR TREE STORES, INC.,

21 Defendant.

22
23
24 ROBERT RUNNINGS individually, and on
behalf of all others similarly situated,

25 Plaintiff,

26 v.

27 DOLLAR TREE STORES, INC.,

28 Defendant.

CASE NO. C 07 2050 SC
CASE NO. C 07 04012 SC

**DECLARATION OF MARK ADAMS
IN SUPPORT OF DOLLAR TREE
STORES, INC.'S REPLY ON
SUMMARY JUDGMENT AS TO
ROBERT RUNNINGS**

DATE: March 21, 2008
TIME: 10:00 a.m.
DEPT: Ctrm. 1, 17th Floor
JUDGE: Hon. Samuel Conti

COMPLAINTS FILED: April 11, 2007
July 6, 2007
TRIAL DATES: No dates set.

1 I, Mark Adams declare that:

2
3 1. I am over the age of eighteen and have personal knowledge of the facts
4 stated in this declaration and, if called as a witness, would be competent to testify
5 thereto.

6 2. I am the Vice President of Allocation, Replenishment and Order Processing
7 for Dollar Tree Stores, Inc. ("Dollar Tree") and have held that position since May of 2005.
8 As part of my responsibilities in connection with that position, I oversee the fulfillment
9 process of all Dollar Tree store orders, and the process by which store merchandise is
10 allocated, and replenished. Prior to assuming that position, I was employed by Toys R
11 Us, Inc. as a Senior Director of Planning and Allocation performing similar duties for the
12 Toys R Us and Babies R Us retail chains.

14 3. As a rule, stores that carry refrigerated/frozen food, receive 90% of their
15 merchandise from a Dollar Tree distribution center. They receive the remainder of their
16 merchandise directly from outside vendors.

18 4. Dollar Tree stores obtain merchandise for their stores from the distribution
19 centers several different ways. One is by corporate allocation. That is, the corporate
20 office decides how much of a given product a store will receive. Allocation is used to
21 determine how much seasonal, special events and promotional merchandise will be sent
22 to each Dollar Tree store. This merchandise may not be ordered by the store.
23 Allocation is also used to distribute merchandise that is new to Dollar Tree, is a one time
24 buy for the company or, if bought previously, is not an every day in stock item. The store
25 managers do not have a choice as to what and how much allocated merchandise is
26 initially sent to their stores. However, if this type of allocated merchandise sells well and
27 the company has more of the item available in its distribution centers, store managers
28

1 can order additional quantities. Approximately, 50 percent of the merchandise received
2 by Dollar Tree's stores from the distribution centers is subject to allocation.

3 5. a. Dollar Tree also uses an automatic replenishment system to provide
4 products to its stores from its distribution centers. Items that are expected to be in the
5 stores for sale everyday are automatically replenished when the inventory on-hand falls
6 below a certain quantity. However, store managers are responsible for maintaining the
7 integrity of each item that is subject to automatic replenishment. That is, the store
8 manager is supposed to check regularly the inventory count as shown versus what the
9 store appears actually to have on hand. The order book (which is available to each
10 store on-line and is updated daily) shows the inventory, by item, that the store can order.
11 This information is available for all orderable merchandise in each store's order book,
12 including that which is supplied by automatic replenishment. If the store manager
13 believes the inventory quantity shown is incorrect, then the store manager can and
14 should request a "cycle count." A store manager has the discretion to request up to 100
15 skus (stock keeping units) to cycle count per day. A cycle count involves the physical
16 counting of the quantity on hand of a given item to determine the true quantity. If the
17 on-hand quantity is different from that shown in the system, the number in the system
18 will be corrected and the quantity of product that is automatically shipped may be
19 adjusted in the future, as appropriate under the circumstances.

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22
23 b. Store managers can also cause the company to adjust the quantity
24 of an item that is automatically replenished if they believe they are receiving either too
25 many or too few of the item. They can call the ASR hotline or they can send an email to
26 communicate their concerns to my department. We then engage in a dialog with the
27 store manager to determine what the appropriate solution will be and make adjustments
28

1 accordingly. Currently approximately 30% of the merchandise received from Dollar
2 Tree's distribution centers is subject to automatic replenishment.

3
4 6. a. Stores also receive merchandise by ordering it. Dollar Tree stores
5 are expected to order approximately 20% of the merchandise that they receive from the
6 distribution centers. While most merchandise that Dollar Tree sells is generally available
7 to all Dollar Tree stores, every store's order book is a little bit different. These
8 differences are determined by multiple factors including, store size, its sales history,
9 customer demographics and the items received by the distribution center that services it.
10 For example, a store that is in a Hispanic neighborhood may be able to order certain
11 grocery items that may not be available to another store. The larger the store's footprint
12 the larger the assortment (i.e. more skus) available to the store.

14 b. Store 2939 is a racetrack store which is Dollar Tree's largest format
15 store and therefore has the greatest variety of merchandise available to order. At any
16 one time, a racetrack store manager has on average 500 different items available to
17 order. These are in addition to the items the store will receive by allocation and
18 automatic replenishment as described in paragraphs 3 and 4 above. The items that are
19 available to be ordered change on a daily basis. Some items may remain available for
20 ordering for only 2 days while others remain available for 30 days.

22 c. Store managers have the ability to input orders on a daily basis to
23 take advantage of new sales opportunities. In order to place an order, an individual has
24 to use a password. Passwords are available at the store level only because it is the
25 store manager's responsibility to place orders. District Managers do not have passwords
26 for ordering. Instead, they have passwords for inquiries into Store Manager orders.
27
28

1 Placing orders is a critical component of a store manager's job. The failure to place an
2 order is considered a risk to the business.

3 7. Not all Dollar Tree stores sell frozen and refrigerated foods, but those that
4 do are responsible for ordering 100% of their day to day needs. On average, frozen and
5 refrigerated foods, which are delivered directly from vendors, make up about another 6%
6 of all goods received by the store. Store 2939 sells refrigerated and frozen foods, has a
7 separate order book and places orders for this food separately from its other
8 merchandise orders. This order book also changes on a daily basis. While certain key
9 assortments of food are usually available, other food items that may be ordered vary
10 each week.
11

12 8. Dollar Tree's stores also receive products by direct store delivery ("DSD").
13 These are items that are delivered directly to the stores by vendors such as Coca-Cola,
14 Frito-Lay, Little Debbie, etc. The store managers do not place orders ahead of time but
15 should direct the vendors as to how many of a given item they want when the vendor
16 arrives at the store. Store managers have the discretion and are expected to vary the
17 quantity in the assortment to match the sales needs of the store. Store 2939 receives
18 items by DSD.
19

20 9. In conducting its business, my department maintains records of
21 merchandise ordered for each of Dollar Tree's stores. Among other information
22 contained in those records is information showing the quantity of merchandise ordered
23 for each store by allocation, the quantity ordered by automatic replenishment and the
24 quantity ordered by store order and the date each order is released to the distribution
25 center for shipping to the store. From these records, it is possible to determine the
26 percentage of merchandise that the store ordered. I have reviewed a report prepared
27
28

1 from these records with the Bates numbers R1237-1239 on the pages and the first page
2 has a label that says Exhibit 10, with the deponent identified as Runnings and a
3 deposition date of 12/17/07. The report shows all non-refrigerated/frozen food and non-
4 DSD orders from the period from November 15, 2004 through November 19, 2007 for
5 store 2939. The store manager's orders for the year 2007 for the most part declined so
6 that the percentage of merchandise ordered by the store from the distribution center (as
7 compared to all merchandise received by the store from the distribution center) dropped
8 to the teens and single digits. That is well below the average Dollar Tree store. Without
9 including refrigerated/frozen foods and DSD orders, store 2939 should have been
10 ordering approximately 20% of the merchandise it received from the Dollar Tree
11 distribution center. Another 10% of the merchandise it received should have come from
12 store orders for refrigerated/frozen food and DSD deliveries.
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14

15 I have read the attached declaration and do hereby declare that it is true and
16 correct.

17 Executed on March 13, 2008 in Chesapeake, Virginia.

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20 Mark Adams
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